

## Chapter 2: Exam practice question

### The Google™ phenomenon

- 1 Explain the term ‘partnership’. (2)
- A partnership is a business formed by two or more people, with shared capital investment and usually with shared responsibilities.

Apply **Resources table 3a** mark bands.

- 2 Outline two benefits to Larry Page and Sergey Brin of starting Google as a partnership. (4)
- split workload
  - more capital
  - wider expertise
  - more personal contacts
  - any other relevant point

Apply **Resources table 3b** mark bands.

- 3 Examine the difficulties the partners would have encountered when they set up Google. (8)
- lack of capital and working capital
  - very fast expansion necessitated ballooning organisation which would have been difficult to keep pace with
  - Page and Brin’s lack of experience
  - lack of confidence of external investors in new idea
  - unincorporated
  - unlimited liability
  - any other relevant point

SL: apply **Resources table 1** mark band descriptors.

(SL questions do not usually go up to 8 points, so the HL table is best used for SL students.)

HL: apply **Resources table 2** mark band descriptors.

- 4 Explain the term ‘public limited company’ (plc). (2)
- A plc is a limited liability, incorporated business entity whose shares are traded publicly on the stock exchange.

Apply **Resources table 3a** mark bands.

- 5 Discuss the advantages and disadvantages to Google following its conversion to a plc in 2004. (9)

Advantages:

- 19,605,052 shares at \$85 each raised huge capital
- dividends are discretionary: useful in initial company development
- access to specialist help
- economies of scale (NOTE concept not introduced until later in book)
- any other relevant point

Disadvantages:

- costly and time-consuming procedure at a time when the business had ballooning growth
- share prices fluctuate
- risk of takeover
- diluted ownership
- any other relevant point

SL: apply **Resources table 1** mark band descriptors.

(SL questions do not usually go up to 9 marks, so the HL table is best used for SL students.)

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is usually required for 9 marks.